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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte JOHN HINDMAN and CONNIE T. MARSHALL

Appeal 2009-010729
Application 09/827,509
Technology Center 3700

Decided: November 18, 2009

Before LINDA E. HORNER, STEFAN STAICOVICI, and
KEN B. BARRETT, *Administrative Patent Judges*.

BARRETT, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

John Hindman and Connie T. Marshall (Appellants) seek our review under 35 U.S.C. § 134 of the final rejection of claims 1-31. Claims 32-62 have been canceled. We have jurisdiction under 35 U.S.C. § 6(b).

SUMMARY OF THE DECISION

We AFFIRM.

THE INVENTION

Appellants' claimed invention pertains to a method for determining the effect of proposed wagers on parimutuel pools so that users of interactive wagering systems can determine whether or not to place a wager. Spec. 1:9-15. Claim 1, reproduced below, is representative of the subject matter on appeal.

> 1. A method for providing projected effects of wagering on parimutuel pools to a user in an interactive wagering system, comprising:
>
> receiving user input to propose a wager that is associated with at least one parimutuel pool;
>
> obtaining information that affects the user's potential winnings from the at least one parimutuel pool based on the user input; and
>
> providing what projected effect the user's proposed wager would have on the parimutuel pool to the user without changing the at least one parimutuel pool.

THE REJECTIONS

The Examiner relies upon the following as evidence of unpatentability:

Mindes	US 5,842,921	Dec. 1, 1998

Nevada Gaming Commission Regulation 26, Pari-Mutuel Wagering ("Regulation 26")

The following Examiner's rejections are before us for review:

1. Claims 1-31 are rejected under 35 U.S.C. § 101 as being directed to nonstatutory subject matter;

2. Claims 1-9 and 17-22 are rejected under 35 U.S.C. § 103(a) as being unpatentable over Regulation 26; and

3. Claims 10-16 and 23-31 are rejected under 35 U.S.C. § 103(a) as being unpatentable over Regulation 26 and Mindes.

ISSUES

The Examiner, citing *In re Bilski*, rejected the claims under § 101 because "Appellant appears to be attempting to patent an idea or fundamental principle since any and all methods of providing the projected effect of a proposed wager would infringe upon the claimed invention." Ans. 5. Appellants contend that the claimed method satisfies the *Bilski* test in that the method is tied to a particular machine (an interactive wagering system) and transforms specific data (parimutuel pool data). Reply Br. 4, 7. Thus, the first issue for our consideration is:

Have Appellants shown that the Examiner erred in concluding that the claimed method for providing projected effects of wagering is drawn to patent-ineligible subject matter?

As for the obviousness rejections, the Examiner found that Regulation 26 discloses a method of calculating odds and payout information in parimutuel wagering, but does not mention providing the projected effect of a proposed wager. *See* Ans. 9. The Examiner concluded that it would have been obvious to use the known calculation method to determine the projected effect of a proposed wager. *Id.* Appellants argue that the

Examiner has failed to show that there is a reason to modify the teachings of Regulation 26 to provide the projected effect of a proposed wager (as opposed to the actual effect of a finalized wager). App. Br. 8. Thus, the second issue for our consideration is:

Have Appellants shown that the Examiner erred in rejecting the claims as obvious because there is no rational reason why one would use the calculation method of Regulation 26 to provide the projected effect of a proposed wager?

FINDINGS OF FACT

We find that the following enumerated findings are supported by at least a preponderance of the evidence.

1. Parimutuel wagering is a system of wagering wherein the winners divide the total amount bet (less commission, taxes, etc.) in proportion to the amount individually wagered. Regulation 26, 26.030(11); Spec. 2:25-29.

2. Appellants' Specification states that "[t]he pool can be the total amount of money wagered by all users for the same wager type on the same race less any amount deducted by race track service providers." Spec. 23:33 - 24:3.

3. Regulation 26 discloses that the "net pool" is the gross amount wagered on the individual pool (i.e., win, place, or show) less the gross commission. Regulation 26, 26.220(1). From this, one of ordinary skill in the art would understand Regulation 26 to teach that the addition of a wager has the effect of increasing the net pool.

4. The "net pool" in Regulation 26 corresponds to Appellants' recited "pool."

5. Appellants' Specification describes Figure 17B as "a flow diagram illustrating a process that may be used to determine what projected effects proposed wagers may have on parimutuel pools …." Spec. 5:12-14. At step 1724 of the embodiment, the user's proposed wager amount is added to the win pool to arrive at the new pool result, X_T. Spec. 24:3-5; Fig. 17B. Thus:

new pool result X_T = current pool + proposed wager.

6. Regulation 26 discloses formulae for calculating the payoff amounts in parimutuel wagering. Regulation 26, 26.220. For the win pool, the payoff for each dollar wagered on the winner is determined by dividing the net win pool by the gross sum wagered on the winner, or:

$$\text{Payoff} = \frac{\text{Net Win Pool}}{\text{Gross Sum Wagered on the Winner}}$$

Id., 26.220(2).

7. In parimutuel wagering, the odds correspond to the payoff per dollar wagered. *See* Spec. 2:29-3:2; Mindes, col. 2, ll. 5-7 (three-to-two odds pays $300 for each winning $200 bet). Appellants agree that Regulation 26 discloses providing odds. *See, e.g.*, App. Br. 6 (stating that Regulation 26 describes "providing current odds of wagers that have been already placed.").

8. Appellants concede that Regulation 26 "disclose[s] that in parimutuel wagering, the odds are affected based on the wagers that are placed." Reply Br. 9. One of ordinary skill in the art of parimutuel wagering would understand that an additional wager would increase both the

numerator and denominator in the payoff calculation. Further, the ordinary artisan armed with the requisite mathematical ability (Fact 9) would recognize that a relatively large wager would have a substantial effect on the pool and the odds. *Cf.* Reply Br. 16 (Appellants failing to contest the truth of the Examiner's finding that "it is well known that large wagers can cause significant changes to odds."); Ans. 14 (the Examiner's finding).

9. We agree with the Examiner's finding (Ans. 13-14) that those of ordinary skill in the art of parimutuel wagering would have significant mathematical knowledge. Regulation 26 indicates that a person applying the regulation would have, at least, the mathematical skills necessary to perform the disclosed calculations.

PRINCIPLES OF LAW

"[T]he machine-or-transformation test, properly applied, is the governing test for determining patent eligibility of a process under § 101." *In re Bilski*, 545 F.3d 943, 956 (Fed. Cir. 2008) (en banc) (footnote omitted), *cert. granted*, 129 S.Ct. 2735 (Jun. 1, 2009) (No. 08-964). The purpose of this test is to prevent the pre-emption of the use of fundamental principles. *Id.* at 963. The Federal Circuit explained the test as follows: "A claimed process is surely patent-eligible under § 101 if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing." *Id.* at 954 (citations omitted). The court further explained that "the use of a specific machine or transformation of an article must impose meaningful limits on the claim's scope to impart patent-eligibility." *Id.* at 961 (citation omitted).

"Section 103 forbids issuance of a patent when 'the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.'" *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007) (quoting 35 U.S.C. § 103). In *KSR*, the Court rejected the rigid requirement of a teaching, suggestion or motivation to support a conclusion of obviousness, and noted that an obviousness analysis "need not seek out precise teachings directed to the specific subject matter of the challenged claim, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ." *Id.* at 418.

ANALYSIS

The Nonstatutory Subject Matter Rejection

Appellants argue the rejected claims 1-31 as a group. Reply Br. 3. We select claim 1 as the representative claim, and claims 2-31 stand or fall with claim 1. 37 C.F.R. § 41.37(c)(1)(vii) (2009).

Appellants argue that method claim 1 satisfies the first prong of the machine-or-transformation test because the claimed method is tied to an interactive wagering system which, Appellants argue, is a particular machine. Reply Br. 4. In support of this argument, Appellants assert that the preamble of claim 1 recites that all of the method steps are "performed or initiated by an 'interactive wagering system.'" *Id.* Appellants' interpretation of the claim is incorrect. The preamble of claim 1 recites that the method is performed "in" – not "by" – an interactive wagering system. The body of the claim defines this system by reciting the interactive steps of receiving

user input and providing a projected effect to the user. In other words, the method steps themselves comprise the interactive wagering system. The claim does not contain a requirement that a machine or apparatus perform the steps.

Further, Appellants' Specification indicates that the phrase "interactive wagering systems" does not connote any particular machine or apparatus, even when such an interactive system utilizes physical devices. The Specification describes interactive systems that use a telephone, a television set-top box, and a computer. Spec. 2:4-24; *see also id.* at 22:1-10 (describing various things that can determine the projected effects, including "any other suitable equipment with data processing circuitry"). Thus, even if the phrase implicated the use of a machine, the claim does not require such a particular machine so as to impose a meaningful limit on the claim's scope.

Appellants also argue that the claimed invention satisfies the transformation prong in that it involves the transformation of specific data (parimutuel pool data) and that this is done as part of a practical, real-world application (providing the projected effect of a proposed wager to a user). Reply Br. 7. In support of their argument, Appellants rely on *Bilski's* discussion of *In re Abele*, 684 F.2d 902 (CCPA 1982). Reply Br. 6-7 (citing *In re Bilski*, 545 F.3d at 962-63). The *Bilski* court noted that, in *Abele*, raw X-ray attenuation data representing physical and tangible objects (bones and such) was electronically transformed into a particular visual depiction representing the underlying specific physical objects. *Bilski*, 545 F.3d at 962-63. However, in the case at bar, we fail to see how the pool data is transformed, and Appellants do not identify any transforming step in the claim. Claim 1 recites data-gathering steps (receiving user input, obtaining

information) and the step of providing the projected effect, but the claim does not specify how, or even whether, the pool data is utilized. Further, even if the data is used in some unclaimed algorithm that produces a projected effect, the pool data itself is not transformed into a different state or thing. The system's output is a projected effect, not, for example, a visual depiction of some underlying physical object represented by the pool data.

Claim 1 fails to meet the requirements of the machine-or-transformation test for patent-eligible subject matter because the claimed method is neither tied to a particular machine or apparatus, nor does it transform a particular article into a different state or thing. As such, we affirm the rejection of claims 1-31 under 35 U.S.C. § 101.

The Obviousness Rejections

Appellants concede that it is known to provide the odds for parimutuel wagers already placed. App. Br. 6; *see also* Reply Br. 9 ("automated totalisators for calculating parimutuel odds were first used in 1913."). Nonetheless, Appellants contend that their claimed methods are patentable because it would not have been obvious to provide the projected effect of a proposed (rather than actual) wager. *See* Reply Br. 9. We do not find Appellants' arguments persuasive.

The method of independent claim 1 comprises three steps: 1) receiving proposed wager input; 2) obtaining information that affects potential winnings; and 3) providing the projected effect of the wager on the pool without changing the pool. The claim does not specify how one arrives at the projected effect on the pool, but Appellants' Specification indicates that the effect is simply the increase in the pool value due to the addition of

the proposed wager. *See* Fact 5. Independent claim 17 is similar to claim 1, but pertains to the effect on the odds, and includes the steps of obtaining the current odds and determining the effect of the proposed wager on the odds. Claim 17 does not specify how one determines the effect on the odds. Thus, Appellants' claims involve projecting the effect of a hypothetical wager on a pool, which apparently also could be hypothetical (claim 1), or on the current odds (claim 17).

Regulation 26 discloses that the effect of a wager on the pool is to increase the pool by the wagered amount (less commission, taxes, etc). Fact 3; *see also* Facts 2, 4. Regulation 26 also discloses a formula for calculating the payout per dollar wagered, or the odds. Facts 6, 7. The person of ordinary skill in the art of wagering would have significant mathematical knowledge, and would recognize that a relatively large bet would have a substantial effect on the pool and the odds. Facts 8, 9. The Examiner reasonably found that a person contemplating making a large wager has a motivation to calculate the effects of the wager on the odds, Ans. 14. Although Appellants assert that the Examiner has failed to point to evidence showing this motivation, Appellants do not adequately challenge the truth of the finding. Reply Br. 16; *see In re Fox*, 471 F.2d 1405, 1406-07 (CCPA 1973) (affirming rejection under 35 U.S.C. § 103 without citation of any prior art based on facts that were unchallenged by the appellant). Therefore, we are not persuaded that the Examiner relied on impermissible hindsight, as Appellants urge (Reply Br. 10, 17), rather than the knowledge of those skilled in the art at the time of the invention.

Additionally, the formulae themselves suggest the application thereof to any parimutuel wagering data – real or hypothetical. We cannot accept

Appellants' implied assumption that one of ordinary skill would consider wagering calculations applicable to only actually placed wagers. *See KSR Int'l Co.*, 550 U.S. at 421 ("A person of ordinary skill is also a person of ordinary creativity, not an automaton.")

Appellants have not persuaded us that the Examiner erred in concluding that it would have been obvious to use the known calculation method of Regulation 26 to determine the projected effect of a proposed wager, Ans. 9. We affirm the rejection of independent claims 1 and 17 as obvious over Regulation 26.

Appellants do not offer separate arguments for the remaining claims on appeal, but instead rely solely on those claims' dependency on either of independent claims 1 or 17. App. Br. 9; Reply Br. 18. Therefore, we also affirm the rejection of claims 2-9 and 18-22 as obvious over Regulation 26, and the rejection of claims 10-16 and 23-31 as obvious over Regulation 26 and Mindes.

CONCLUSIONS

Appellants have not shown that the Examiner erred in concluding that the claimed method for providing projected effects of wagering is drawn to patent-ineligible subject matter.

Appellants also have not shown that the Examiner erred in rejecting the claims as obvious because there is no rational reason why one would use the calculation method of Regulation 26 to provide the projected effect of a proposed wager.

DECISION

The decision of the Examiner to reject claims 1-31 is affirmed.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a). *See* 37 C.F.R. § 1.136(a)(1)(iv) (2007).

AFFIRMED

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